



DEPARTMENT OF FINANCE AUDIT DIVISION

95-1-GCT/RPTT 7/28/95

STATEMENT OF AUDIT PROCEDURE

FAIR MARKET VALUE OF CONDOMINIUMS AND COOPERATIVES

I. INTRODUCTION

In Statement of Audit Procedure 93-2-GCT/RPTT the Audit Division advised its auditors that:

When conducting a field or desk audit in which the value for commercial properties and one, two and three family homes and residential cooperatives and condominiums may be an issue, the auditor should compare the value of the real property reported on the tax return to the Estimated Market Value of the property on the assessment roll of the City for the same period as covered by the return....The auditor may also seek to establish a value other than the estimated Market Value by utilizing other relevant evidence. (Emphasis supplied).

Section 581 of the Real Property Tax Law requires that tax class two condominiums and cooperatives be valued for assessment purposes as if they were rental properties. Under this requirement, the nominal market value for these properties prepared by the Real Property Assessment Division may be artificially low and not truly reflective of market value. Although these Estimated Market Values are mandated for Real Property Tax assessment purposes, they are not appropriate for valuing condominium units or cooperative apartment shares for purposes of the General Corporation Tax or the Real Property Transfer Tax.

II. PROCEDURE

When conducting a field or desk audit in which the value for a tax class two cooperative apartment or a condominium unit may be an issue, the auditor should examine the value of the real property reported on the tax return. The customary methods of property valuation apply. The auditor may review, for example, sales of comparable property or the value of improvements on the property. Where appropriate, such a review should be done in consultation with the assessors familiar with the property from the Real Property Assessment Division.

If the value reported on the return is less than the auditor's calculation of the market value using a customary valuation method, the auditor may presume that the property has been reported at less than its fair market value. A proposed deficiency in tax liability will be calculated on the basis of the difference between the reported value and the auditor's calculated value.

A taxpayer may dispute a proposed deficiency based on this procedure to determine fair market value by submitting proof of a different value (e.g., an independent appraisal).